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Testimony

**Before the Subcommittee on Government Efficiency and Financial
Management**

Committee on Government Reform

U.S. House of Representatives

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify at this hearing on the recently released General Accounting Office (GAO) report entitled, “Results-Oriented Government—GPRA Has Established a Solid Foundation for Achieving Greater Results.” Specifically, you asked me to address:

- the effect of GPRA over the last 10 years in creating a government-wide focus on results;
- the challenge agencies face in measuring performance and using performance information in managing decisions; and
- how the federal government can continue to shift toward a more results-oriented focus.

I am the Director of the Performance Consortium of the National Academy of Public Administration, which as you know, is a Congressionally-chartered, independent, non-partisan organization created to offer trusted advice to public sector leaders. Views presented today are my own, and do not necessarily represent the Academy.

I have been a manager and a principal executive at both the state and federal levels of government. I have been a State Budget Director and State Comptroller. At the federal level, I served as Director of the Defense Finance and Accounting Service, Deputy Under Secretary for Financial Management at the Department of Defense and the Chief Financial Officer at the U.S. Department of Housing and Urban Development (HUD). Over the course of 40 years in management I have seen many budget systems and new

ideas come and go. And I have seen my fair share of failed attempts to improve government performance and find meaningful ways to develop processes to measure the performance of governmental programs.

I have also benefited from an extensive body of research produced by the Academy as we work with top federal executives on GPRA and PART. The Academy and its Performance Consortium have been able to play a constructive and helpful role in helping Agencies and Congress with the difficult implementation of GPRA. We continue to be involved by helping and consulting with agencies, by running monthly Forums and Annual Conferences and by contributing to the literature of Performance Management.

When I joined the federal government in 1994, GPRA had just been initiated. I inquired then as to what it entailed and was told that GPRA involved strategic planning, goal setting and establishing effective outcome performance measures. My response was “been there and tried to do that.” Four years later as the Chief Financial Officer at HUD, I was developing the Department’s first Strategic Plan and related documents. Again, while I thought the endeavor had obviously picked up some momentum, I did not think it had enough traction to be effective in the long run.

Fortunately, I was wrong in both instances. There is no doubt that GPRA has made steady progress during these past ten years. Indeed, GPRA has been successful and will only get better as we move forward and better integration is achieved with other results-oriented initiatives already underway.

The Effect of GPRA Over the Last 10 Years

The GAO Report is correct when it concludes that “significant progress has been made in installing a focus on results in the federal government.” Furthermore, projects ongoing through the Academy’s Performance Consortium also confirm this view.

Prior to GPRA, many agencies made few attempts to link budget to results. There was no stated relationship between agency strategic planning—assuming an agency even had a strategic plan—and their request for funding. There was little or no interest in the cost of programs, the cost of achieving objectives, and the relationship between cost and performance. Then, along came GPRA.

GPRA stimulated the process of planning, targeting, measuring and reporting on what government was achieving. Specifically, agencies now:

- develop strategic plans, including mission, goals and strategies to achieve them;
- consult with Congress, stakeholders and the Office of Management and Budget (OMB) to develop a common understanding about what the agencies programs are all about;
- publish annual performance plans with targets toward long-term goals; and
- publish an annual performance report on what performance was achieved.

At first progress was slow. Despite leadership from OMB, there was inconsistent achievement among agencies: some took the process seriously—others just hoped it would go away. Many strategic plans were filled with a lot of good intentions but not a

lot of sophistication. There were numerous measures that showed workload and outputs and not many outcomes and little or no connection between cost, work, results and budget requests.

But, as GAO has pointed out, progress has been steady, considering that the Act did not fully apply until six years after its enactment. Now, many managers and agencies routinely manage for outcomes. Public benefits achieved and related costs are now the definition of “outcome,” rather than simply workload information. And, the lexicon of performance management is the norm for senior agency managers and executives. Also, one can now access most Agency Strategic Plans on the web and find much improvement regarding the crafting of mission statements, goals and objectives, and program benefits, although agencies still struggle with priority setting and budgetary linkage.

But, this, I am sure, will come as we move forward and as we further transform the organizational culture in agencies. Such a transformation is necessary for GPRA to move to the next level. But, transformation and change in organizations do not come easily. Transformation, as GAO points out, requires significant investment in time and resources as well as sustained leadership and commitment at all levels in the organization. Major corporations in this country invest significant money and resources in managing change in their organizations—including significant attention to human capital management. Such resource dedication and focus on human capital management is equally critical in the federal government. Indeed, one cannot achieve effective performance management without having effective human capital management. So, agencies must align individual

performance with institutional performance, and agency personnel must receive training to ensure that everyone understands the relationship between organizational and individual performance.

In short, GPRA was a significant undertaking by the Congress. Its goal was to improve the accountability and transparency of the government and of its managers. There is no doubt in my mind that these very aggressive goals set out by the Congress have been achieved in many cases—although more needs to be done to further enhance these achievements, particularly regarding the development of more sophisticated outcome measures and the use of the information in making budgetary decisions.

The Challenge Agencies Face in Measuring Performance and Using Information

While GPRA has indeed been successful, significant challenges remain—measuring performance and using information are two of the biggest such challenges.

One of the earliest issues government executives faced in implementing GPRA was the development of meaningful performance measures. Historically, governments at all level tended to focus on activities or outputs as the means to measure program effectiveness or success. Therefore, it was quite natural in the early stages of GPRA this trend would continue. Developing outcome-oriented performance measures was and still remains difficult.

Let me say first, however, that output measures are not bad in themselves and in many instances can be very useful in giving the manager a tool to measure certain aspects of a program and to give the Congress and the general public some idea of what the program is all about. For example, the number of doctors receiving reimbursements from the Medicaid program is not necessarily a measure of how effectively the Medicaid program is being administered, but it does indicate how large the program is and how many doctors are enrolled in the program. So, output measures are in fact useful, but they are not meaningful in measuring the effectiveness of a program or telling the American people the quality of a governmental program.

Not surprisingly, GAO notes that six of the eight focus groups they surveyed cited “the complexity of establishing outcome-oriented goals and measuring performance” as one of the biggest challenges faced by managers. I recognize the complexity and agree with the need for agencies to develop better outcome-oriented measures to fully meet the goals of GPRA and the goals of good program management. The GPRA process has been the catalyst in forcing agencies to develop better outcome measures, but more needs to be done, and measures need to be continually refined and updated before we can claim complete success.

But, some programs are just difficult to measure and perhaps we should consider some proxies in some instances. Take the case of grant programs managed by many federal agencies, for example. A federal agency provides a grant to a state government, who in turn passes a portion of this grant to a local government or non-profit organization.

Determining the effectiveness of such programs would require complex and costly data collection techniques since many of the entities do not have uniform activities or objectives—nor do they measure program performance in the same way. Even more challenging is the situation where the federal government’s disbursement of funds is only a fraction of a program’s total cost. How does one measure the federal government’s contribution versus the locality’s contribution? The problem is magnified when the federal grant is in the form of a block grant. The same challenge exists for research and development programs since it is often years before one realizes the fruits of the research—and even then success may be measured by the absence of failure.

One can develop a performance system that includes meaningful strategic plans, outlines good goals and objectives, and produces effective outcome-oriented performance measures, but if the correct data are not incorporated into the decision-making process, the exercise is for naught. The GAO report discusses these issues, focusing on the fact that performance information is not always timely or available due to the constraints in collecting data. In addition, the report points out that OMB has accelerated the time frames for the reporting of annual performance data. This is all true, but it could be managed by simply indicating in the annual and quarterly reports that the data is estimated and that in subsequent reports the data will be revised and updated. In my judgment, one should not view data collection aspect as the primary issue. Rather, the issue is whether information is being used over a period of time to enable managers to take control of their programs and operate them more effectively in order to deliver the maximum results per taxpayer dollar. Ultimately, however, if the GPRA process is to be

truly judged as a complete success, the Executive and Legislative branches must fully use GPRA in the budget process.

How the Federal Government Can Shift Toward a More Results-Oriented Focus

In government, budgets drive policy and control resource allocation. To that end, we need to press forward on tools that enhance program analyses and evaluation for GPRA to be completely successful. Accepting that premise, I believe steps already taken by OMB to introduce the PART will lead toward a better results-oriented focus.

GPRA provides the overall framework for performance management. To evaluate programs one must first have a good strategic plan, clearly defined goals and objectives, and effective and meaningful measures of program success. This is the foundation that GPRA lays. However, the GPRA process must be connected to an effective budgetary decision-making process such as PART, or some future iteration or evolution of PART. While it is true the role of PART is not to make decisions, it is, however, extremely useful in its support for recommendations to improve program design, assessment, and management—and after all, if one does this well it will go a long way toward helping decision makers allocate resources more effectively. My years of experience tell me that unless an instrument like the PART becomes an annual event, the fruits of the GPRA process will not be fully realized. In my judgment, nothing succeeds in forcing effective program management more than effective program evaluation. PART has been successful because agencies and OMB have built on the successes of GPRA. Historically, budget

reviews always had something similar to PART, but it just was not as systematic and detailed, nor was it as transparent as what is now performed under the PART process.

PART can certainly be improved. As GAO points out, PART needs to be better integrated with GPRA so there is no conflict, for example, in defining a unit of analysis or in replacing goals and measures that had been previously agreed upon. More importantly, one needs to move from reviewing individual programs to an evaluation of inter and intra-departmental programs that have similar goals and objectives. Specifically, OMB needs to select activities for evaluation that will facilitate cross-cutting comparisons of programs that focus on the same outcome.

In my opinion, GPRA and PART are perfect together. One should not be a substitute for the other—both are needed to enhance performance management and to improve budgetary decision making. Evolution is inevitable. Changes and improvements may occur to PART, for example, but in my judgment both tools are critical for effective performance management. Finally, the Executive and Legislative branches need to work together so that both GPRA and the PART (or a similar tool) is used in a complementary fashion by both branches of government. Working together, both GPRA and PART establish an effective way for the Executive branch to analyze and propose good budgets and provide a good foundation for Congressional approval, oversight and review.

Thank you Mr. Chairman.